



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

REPORT OF THE COMMITTEE ON THE PURCHASING POWER OF MONEY IN RELATION TO THE WAR

The Committee on Purchasing Power of Money in Relation to the War has held seven meetings and has issued four reports during the year. All reports were unanimous. Believing their most useful function during the war to be the dissemination of existing knowledge, rather than research, they have endeavored to make their reports as popular as the nature of the subject permitted.

The reports were given wide circulation, among the press of the country and otherwise, by the Bureau of Publicity of the War Savings Section of the Treasury Department. The first dealt with the fallacy of the "Business as Usual" philosophy as against the philosophy of "Save and Work." It stressed the need of a reduction of consumption and an increase of production, of the repression of non-essentials and of the promotion of organization and redirection of industry.

"By giving up non-essentials to buy the government securities," the report says, "we allow the government to buy war essentials and at the same time release productive energy from the making of non-essentials for us to the making of essentials for the government."

"But," it goes on to say, "if we won't make the needed sacrifice and perhaps delude ourselves into believing that we do not have to do so or even that we ought not to do so; that, on principle, we favor 'business as usual' for ourselves while expecting business unusual to be superadded by the government, we simply go through the motions of giving our billions to the government without really giving them up. Therefore the government, in order to buy away from us what we will not otherwise surrender, bids up prices, and the rise in prices which comes about through this sort of lending is cumulative."

"As the prices of war supplies rise the money cost of war grows and the government has to borrow more. Bigger loans by us to the government require bigger loans to us from the banks. This further expansion of bank credit favors a further rise in commodity prices, starting the whole process over again in a vicious circle."

The second report was on the "Need of a Unified Plan for Readjusted Industry to a War Basis," and can be summarized by the following extracts:

"The war necessitates a shifting of millions of men and billions of capital to new tasks in the shortest possible time."

"The offering of large profits, while making men eager to produce,

has not insured the necessary amount of labor and material for war work."

"Greater governmental control of war industry is necessary to systematize the shifting of industry, and to make certain that the things required for winning the war will be rapidly produced with a minimum of dislocation of the industrial machine."

The third report, on "Loans, Taxes, and the Purchasing Power of Money," can be summed up as follows:

"The present generation must pay the whole cost of the war; the burden cannot be shifted to the next generation.

"Financing the war by long-term bonds does not put crushing tax burdens on future generations, because the taxes they pay out of one pocket come back to the other pocket in the form of interest and principal.

"In former times the rich lent money for war and the next generation was taxed to repay the heirs of the rich, but in this war the bonds are so widely distributed among all classes, the rich of future generations may be the chief taxpayers.

"Saving is the soundest method of financing the war, but rapid readjustment makes necessary some credit expansion to stimulate war industries and conserve peace industries."

The fourth and concluding report was on "Stabilizing the Dollar." The proposal as worked out by Aneurin Williams, M.P., and others is described by the Chairman. The Committee regards the stabilizing of the value of monetary units under international agreement as desirable and economically feasible.

Two sub-committees of the main Committee, namely, one on Index Numbers and one on Objections, Difficulties, and Details of the Plan to Stabilize the Dollar, have not completed their work and are to be continued.

Respectfully submitted.

Committee:

WESLEY CLAIR MITCHELL,
ROYAL MEEKER,
E. W. KEMMERER,
B. M. ANDERSON, JR.,
W. M. PERSONS,
IRVING FISHER, *Chairman*.